

MULTIMEDIA



UNIVERSITY

STUDENT IDENTIFICATION NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2015/2016

BAB1014 – FINANCIAL ACCOUNTING FOR MANAGERS

(All sections / Groups)

17 OCTOBER 2015

9.00 a.m – 11.00 a.m

(2 Hours)

INSTRUCTIONS TO STUDENT

1. This Question paper consists of 8 pages with 4 Questions only.
2. Attempt **ALL** questions. All questions carry equal marks and the distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

QUESTION 1**Part A**

Headway Company uses a periodic inventory system for its product. Its beginning inventory, purchases, and sales during calendar year 2014 are as follow.

Date	Activity	Units acquired at Cost	Units sold at Retail
Jan 1	Beginning inventory	400 units @ RM14	
Jan 15	Sale		200 units @ RM30
March 10	Purchase	200 units @ RM15	
April 1	Sale		200 units @ RM30
May 9	Purchase	300 units @ RM16	
Sept 22	Purchase	250 units @ RM20	
Nov 1	Sale		300 units @ RM35
Nov 28	Purchase	100 units @ RM21	
	TOTAL	1,250 units	700 units

Required:

- Apply the two different methods of inventory costing (FIFO and Weighted Average Cost) to calculate ending inventory and cost of goods sold under each method. (14 marks)
- Compute gross profit earned by the company for each of the two costing methods in part (a). Compare which method should be best applied in order to get higher net income. (7 marks)

Part B

Define the nature of unearned revenue transaction. Support your explanation with the related journal entries.

(4 marks)

Total: 25 marks

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QUESTION 2

The trial balance of Queen Bay, a sole proprietorship restaurant business, on 31st December 2014 is as follows:

Details	Debit	Credit
	RM	RM
Cash in hand	1,000	
Cash at bank	2,000	
Accounts receivable	5,000	
Accounts payable		20,000
Shop premises	250,000	
Mortgage on premises		60,000
Capital		100,000
Rates expenses	8,000	
Inventory as at 1 st January 2014	2,000	
Purchases	200,000	
Sales		600,000
Advertising expenses	8,000	
Interest in mortgage	8,000	
Insurance on premises	24,000	
Cash register	5,000	
Goodwill	16,000	
Discount allowed	1,000	
Discounts received		3,000
Shares in unit trust	60,000	
Dividend from unit trust		6,000
Salaries expense	118,000	
General and administrative expenses	16,000	
Selling and distribution expenses	19,000	
Equipment	28,000	
Trade marks	10,000	
Sundry expenses	8,000	
	789,000	789,000

The following adjustments have to be made on 31st December 2014:

- i. The closing inventories were valued at RM4,000.
- ii. Advertising expenses of RM1,000 was unexpired.
- iii. Insurance expenses of RM2,000 was prepaid.
- iv. Interest on mortgage of RM1,000 still owing.
- v. General and administrative expenses of RM3,000 was paid in advance.
- vi. Selling and distribution expenses of RM5,000 was not yet paid.

Continued...

- vii. RM2,000 of the sundry expenses are not yet used.
- viii. Salaries RM2,000 were not yet paid.
- ix. Dividends from unit trust amounting RM1,000 was yet to be received.

Required:

- a) Draw up the adjusting journal entries to record the above. (8 marks)
- b) Prepare the statement of comprehensive income and financial position of Queen Bay as at 31 December 2014. (17 marks)

Total: 25 marks

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QUESTION 3**Part A**

BREEKE CORPORATION
Statement of Comprehensive Income
 for the financial year ended 31 December 2014 and 2013

	2014	2013
	RM	RM
Sales	580,000	450,000
Cost of Goods Sold	200,000	180,000
Gross Profit	<u>380,000</u>	<u>270,000</u>
Expenses:		
Wages	24,000	20,000
Marketing and Advertising	36,000	25,000
Rent	12,000	12,000
Office Supplies	24,000	20,000
Total Expenses	<u>96,000</u>	<u>77,000</u>
Net Income	<u>284,000</u>	<u>193,000</u>

BREEKE CORPORATION
Statement of Financial Position as at 31 December 2014 and 2013

	2014	2013
	RM	RM
Asset		
Cash	140,000	100,000
Accounts Receivable	200,000	180,000
Inventories	150,000	120,000
Prepaid Expenses	20,000	30,000
Property and Plant	500,000	350,000
Equipments	20,000	30,000
Total Assets	<u>1,030,000</u>	<u>810,000</u>
Liabilities		
Accounts Payable	150,000	100,000
Accrued Expenses	20,000	30,000
Short term Liabilities	80,000	70,000
Long term Liabilities	300,000	250,000
Total Liabilities	<u>550,000</u>	<u>450,000</u>

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Owner's Equity

Common stock	220,000	200,000
Retained earnings	260,000	160,000
	<u>480,000</u>	<u>360,000</u>

Total Liabilities and Owner's Equity	<u>1,030,000</u>	<u>810,000</u>
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Required:

Calculate the following ratios for Breeke Corporation as at 31 December 2014 and show computations. Kindly interpret each of the answers.

- i. Current ratio
- ii. Debt to total assets ratio
- iii. Net profit margin
- iv. Return on assets

(15 marks)

Part B

MORGAN CORPORATION
Statement of Comprehensive Income
for the financial year ended 31 December 2014 and 2013

	2014	2013
	RM	RM
Sales	1,030,000	780,000
Cost of Goods Sold	<u>650,000</u>	<u>500,000</u>
Gross Profit	380,000	280,000
Expenses:		
General Expenses	35,000	30,000
Wages	50,000	40,000
Rent	<u>60,000</u>	<u>50,000</u>
Total Expenses	145,000	120,000
Net Income	<u>235,000</u>	<u>160,000</u>

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Required:

- a) Prepare a vertical analysis of the above Statement of Comprehensive Income for both year 2013 and 2014. Show the appropriate percentages with no decimal points.
(8 marks)
- b) Based on the answers in vertical analysis; explain the two initiatives taken by the company in producing more income in year 2014.
(2 marks)

Total: 25 marks**Continued...**

QUESTION 4**Part A**

Syarikat Mesra received a Bank Statement in May 2014. There are differences between the Bank Statement and the Cash Book balance. Bank Statement and Cash Book for the month of May are as follows:

Cash Book

Date	Details	RM	Date	Details	Cheque No.	RM
2014			2014			
May 2	Sales	506	May 1	Balance b/d		1,465
4	Commission	330	3	Purchases	420041	860
7	Azraf Store	1,400	8	Furniture	420042	2,700
10	Aieshah Supermarket	1,260	12	Syarikat Lim	420043	1,900
13	Sales	640	16	Promotion	420044	405
20	Nalia Agency	704	17	Purchases	420045	622
24	Amira Store	1,415	21	Ayu Store	420046	3,280
25	Ganesh Store	2,000	23	Insurance	420047	256
29	Sales	1,325	24	General Expenses	420048	420
31	Balance c/d	3,328	29	Salary	420049	1,000
		12,908				12,908

Bank Statement
CSR BANK BHD

Syarikat Mesra Bhd.
C 108 Jalan Bungaraya
31700 Malim Nawar, Melaka

Account No. : 01-568974325-6

Date : 31 May 2014

Date	Details	Cheque No.	Debit	Credit	Balance	
2014			RM	RM	RM	
May 1	Balance b/d				1,115	Dr
2	Deposit			506	609	Dr
5	Cheque	420041	860		1,469	Dr
9	Cheque			330	1,139	Dr
10	Cheque	420042	2,700		3,839	Dr
13	Rent – Standing order		600		4,439	Dr
14	Cheque	420040	350		4,789	Dr
15	Deposit			640	4,149	Dr
16	Dividend			520	3,629	Dr
17	Cheque	420043	1090		4,719	Dr
19	Cheque	420044	405		5,124	Dr
20	Cheque Book		20		5,144	Dr
22	Cheque	420045	622		5,766	Dr
27	Cheque	420047	256		6,022	Dr
28	Deposit			2,000	4,022	Dr
29	Deposit			1,325	2,697	Dr
30	Interest on overdraft		120		2,817	Dr

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Additional information:

- i. Cheque received on 20 May 2014 has been returned by the bank with the following reference "refer to drawer".
- ii. Issued cheque with the number 420043 was incorrectly recorded in the cash book.
- iii. Disregard cheque number 420040 with the amount RM350. This cheque has been issued in the previous month and put for payment in the current month.

Required:

You are required to prepare the Adjusted Cash Book and Bank Reconciliation Statement of Syarikat Mesra as at 31 May 2014.

(20 marks)

Part B

State the respective internal control principles for a small business to the control activities that follows:

- a) The person who writes the cheques to pay bills is different from the people who authorise the payments and keep records of the payments.
- b) The cheques are kept in a locked drawer. The only person who has the key is the person who writes the cheques.
- c) Once each month the owner compares and reconciles the amount of money shown in the accounting records with the amount in the bank account.
- d) Information pertaining to each cheque is recorded on the cheque stub.
- e) Automated system used by the company have mechanism such as identifying password or pass-codes to keep track who made a journal entry, who rang-up the sale or who entered an inventory storeroom at particular time.

(5 marks)

Total: 25 marks

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